# THE STEEL COMPANY OF CANADA, LIMITED

STELCO

# ANNUAL REPORT 1968


# FIFTY-NINTH ANNUAL REPORT (for the year ended December 31, 1968)
# THE STEEL COMPANY OF CANADA, LIMITED • HAMILTON, ONTARIO

## ANNUAL MEETING

The Annual and a Special General Meeting of the Shareholders of the Company will be held at the Cinema Theatre in the Concourse of the Toronto-Dominion Centre, Bay Street Entrance, in Toronto, at 10:30 a.m., Eastern standard time, on Monday, April 21, 1969.

## TRANSFER AGENT

MONTREAL TRUST COMPANY
Toronto, Montreal, Halifax,
Winnipeg, Edmonton, Vancouver

## REGISTRAR

THE ROYAL TRUST COMPANY
Toronto, Montreal, Halifax,
Winnipeg, Edmonton, Vancouver

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## CONTENTS



## THE COVER

There are many activities in which a company such as Stelco must seek to excel. They range widely over a diversity of technical and commercial fields and a few only of the more important are depicted on this year's cover. The Company's extensive operations are typified by the large blast furnace added in 1968; one aspect of comprehensive and far-reaching marketing programs is reflected in the picture of an architect studying a Stelco publication; a section of the Lake Erie Development property exemplifies planned expansion and corporate growth; the pursuit of research and metallurgical study is portrayed in a laboratory photograph; the loading of a containerized shipment of Stelco wire for Europe demonstrates both transportation and export functions; and a view of the console of the Company's latest computer symbolizes the increasing use of this type of equipment to perform a wide variety of tasks.

# THE STEEL COMPANY OF CANADA, LIMITED



## NOTICE OF THE ANNUAL AND A SPECIAL GENERAL MEETING

Notice is hereby given that the Annual and a Special General Meeting of the Shareholders of The Steel Company of Canada, Limited will be held at the Head Office of the Company in the City of Hamilton, Ontario, at the hour of 11:00 a.m., Eastern standard time, on Monday, April 22, 1968, for the following purposes:

(1) to receive the Annual Report of the Directors to the Shareholders and the Financial Statements for the year ended December 31, 1967;

(2) to elect Directors;

(3) to appoint Auditors;

(4) to consider and, if deemed advisable, to approve, confirm and adopt (with or without alteration or modification) an Amalgamation Agreement between the Company and its wholly-owned subsidiaries Page-Hersey Tubes, Limited, Premier Steel Mills Ltd. and The Canadian Drawn Steel Company, Limited providing for the amalgamation of the Company and its said subsidiaries under the provisions of the Canada Corporations Act;

(5) to transact such other business as may properly be brought before the meeting.

Dated at Hamilton this 21st day of March, 1968.

By order of the Board of Directors,
J. W. Younger,
*Secretary.*

## IMPORTANT

*It is desirable that as many shares as possible be represented at the meeting. If you do not expect to attend, and would like your shares represented, please sign the enclosed proxy and return it as soon as possible in the envelope provided.*

## INFORMATION CIRCULAR

**Revocability of Proxy.**

A shareholder who has given a proxy may revoke it by executing either a proxy bearing a later date or a written notice of revocation and delivering the same to the Secretary of the Company.

**Persons or Companies Making the Solicitation.**

This solicitation of proxies is made on behalf of the management of The Steel Company of Canada, Limited (hereinafter called "the Company") for use at the Annual and a Special General Meeting of the Shareholders of the Company to be held on April 22, 1968 (hereinafter called "the Meeting") and at every adjournment thereof. The cost of solicitation will be borne by the Company.

**Interest of Certain Persons and Companies in Matters to be Acted Upon.**

The management of the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise of any Director or senior officer of the Company, any proposed nominee for election as a Director of the Company or any associate of any such person in any matter to be acted upon at the Meeting other than the election of Directors.

**Voting Shares and Principal Holders Thereof.**

On March 1, 1968 there were outstanding 24,328,847 common shares of the Company, all of which, together with any additional shares which may be issued by April 22, 1968, are entitled to be voted at the Meeting. Each shareholder is entitled to one vote for each share of common stock registered in his name at the date of the Meeting. Neither the Directors nor senior officers of the Company know of any person or company owning, directly or indirectly, equity shares carrying more than 10% of the voting rights attached to all equity shares of the Company.

**Election of Directors.**

The affairs of the Company are managed by a Board of fifteen Directors who are elected annually at each Annual Meeting of Shareholders to hold office until the next Annual Meeting and until their successors shall have been duly elected. The following table sets out the name of each of the persons proposed to be nominated for election as a Director; his principal occupation at present and during the preceding five years; all positions and offices in the Company held by him; the year in which he was first elected a Director; and the approximate number of shares of the Company that he has advised are beneficially owned by him, directly or indirectly, as of March 1, 1968. Each of such persons now is a Director and has served continuously in that capacity since his first election.

| Name | Principal Occupation | Director since | Approximate number of shares owned as of March 1, 1968 |
|---|---|---|---|
| *W. Herman Browne | Chairman of the Board, Moore Corporation, Limited (business forms) since 1967 and previously President of that company | 1965 | 100 |
| Alistair M. Campbell | President, Sun Life Assurance Company of Canada (life insurance) | 1967 | 100 |
| J. D. Campbell | Industrialist and previously Chairman of the Board and Chief Executive Officer, Canadian Westinghouse Company Limited (electrical equipment) and prior to 1967 President of that company | 1965 | 1,500 |
| Harold S. Foley | Industrialist | 1964 | 100 |
| J. Douglas Gibson, O.B.E. | Financial and Economic Consultant since 1965, Executive Vice-President and Deputy Chairman of Bank of Nova Scotia (banking) 1964 to 1965 and previously Chief General Manager of that bank | 1968 | 500 |
| J. Roy Gordon | Chairman of the Executive Committee, The International Nickel Company of Canada, Limited (mining) since 1966 and previously, in addition, President of that company | 1961 | 1,000 |
| *Allan Graydon, Q.C. | Counsel, Messrs. Blake, Cassels & Graydon, Barristers & Solicitors, since 1967 and previously a partner of that firm | 1955 | 580 |
| *H. M. Griffith | President of the Company since 1966 and previously Executive Vice-President | 1960 | 6,698 |
| G. Arnold Hart, M.B.E. | Chairman of the Board, Bank of Montreal (banking) since 1967, Chairman and President 1964 to 1967 and prior to 1964 President and throughout the whole of the period Chief Executive Officer of that bank | 1959 | 100 |
| Frederick C. Mannix | Chairman of the Board, Loram Ltd. (management services) | 1967 | 200 |
| *D. R. McMaster, Q.C. | Partner, Messrs. McMaster, Meighen, Minnion, Patch & Cordeau, Barristers & Solicitors since 1967 and previously in predecessor partnership Messrs. Holden, Hutchison, Cliff, McMaster, Meighen & Minnion | 1962 | 56,656 |

| Name | Principal Occupation | Director since | Approximate number of shares owned as of March 1, 1968 |
|---|---|---|---|
| Lucien G. Rolland | President & General Manager, Rolland Paper Company, Limited (paper products) | 1963 | 100 |
| *V. W. Scully, C.M.G. | Chairman of the Board and Chief Executive Officer of the Company since 1966 and previously President | 1956 | 600 |
| H. Greville Smith, C.B.E. | President, Canadian International Investment Trust Limited (investments) | 1959 | 3,000 |
| William H. Young | President and General Manager, The Hamilton Cotton Co., Ltd. (textiles) | 1967 | 200 |

**Member of the Executive Committee.*

**Remuneration of Management and Others.**

The following information is furnished as to the remuneration of management and others:

(1) Aggregate direct remuneration paid or payable by the Company and its subsidiaries to the Directors and senior officers of the Company during the last completed financial year of the Company: $908,354

(2) Estimated aggregate cost to the Company and its subsidiaries in the last completed financial year of the Company of all pension benefits proposed to be paid to Directors and senior officers of the Company under the Company's Contributory Retirement Plan in the event of retirement at normal retirement age: $123,757

No pension benefits are proposed to be paid by the Company to any Director who is not also an officer of the Company.

(3) Aggregate of all remuneration payments other than items (1) and (2) above made during the last completed financial year of the Company and proposed to be made in the future, directly or indirectly, by the Company or its subsidiaries pursuant to any existing plan or arrangement to each person referred to in item (2) above: Nil

(4) Since the commencement of the last completed financial year of the Company, the Directors and senior officers of the Company have not exercised any options to purchase securities of the Company and have been granted options to purchase common shares of the Company as follows:

| Common shares optioned | Date of grant | Price per share | Expiration date | Price range January 13, 1968 to February 12, 1968 High | Low |
|---|---|---|---|---|---|
| 58,000 | February 12, 1968 | $18.75 | February 12, 1978 | $20⅝ | $18⅜ |

**Interest of Management and Others in Material Transactions.**

The management of the Company is not aware of any material interest, direct or indirect, of any Director or senior officer of the Company, any proposed nominee for election as a Director of the Company, or any associate or affiliate of any such person in any transaction since the commencement of the last completed financial year of the Company or in any proposed transaction which in either case has materially affected or will materially affect the Company or any of its subsidiaries.

**Appointment of Auditors.**

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Riddell, Stead, Graham & Hutchison, Chartered Accountants, as auditors of the Company to hold office until the next Annual Meeting of Shareholders. Messrs. Riddell, Stead, Graham & Hutchison have been auditors of the Company for more than five years.

**Other Business.**

There will be presented to the Meeting for consideration and approval an Amalgamation Agreement providing for the amalgamation of the Company and its wholly-owned subsidiaries Page-Hersey Tubes, Limited, Premier Steel Mills Ltd. and The Canadian Drawn Steel Company, Limited under the provisions of Section 128A of the Canada Corporations Act. A copy of the Amalgamation Agreement is appended hereto. The amalgamation is proposed in the interests of administrative convenience. The amalgamated company will possess all the property, rights, assets, privileges and franchises and will be subject to all the contracts, liabilities, debts and obligations of each of the amalgamated companies. The amalgamation will have no effect on the consolidated financial statements of the Company. The Amalgamation Agreement provides that the authorized capital of the amalgamated company shall consist of 35,000,000 common shares without nominal or par value representing an increase of 7,000,000 common shares over the present authorized capital of the Company.

**General.**

The persons named in the enclosed form of proxy are Directors of the Company. **A shareholder has the right to appoint a person to represent him at the Meeting other than the persons designated in the enclosed form of proxy** and may do so either by inserting such person's name in the blank space provided in such form and deleting the names printed in such form or by completing another proper form of proxy and, in either case, delivering such proxy to the Secretary of the Company.

Shares represented by properly executed proxies in favour of the persons designated in the enclosed form will be voted. **Such shares will be voted for the election as Directors of the persons designated in this Information Circular as nominees for such office.** The management of the Company does not contemplate that any of the proposed nominees will be unable to serve as a Director but, in the event that a proposed nominee does not stand for election or is unable to serve, proxies may be voted for another nominee designated by the Board of Directors. Where the shareholder executing such proxy specifies a choice with respect to any matter to be acted upon at the Meeting other than the election of Directors and the appointment of auditors, such shares will be voted in accordance with any specification so made. In the absence of such specification, **such shares will be voted for the approval and adoption of the annual report of the Directors to the shareholders and the financial statements for the year ended December 31, 1967, and for the adoption of the Amalgamation Agreement referred to above.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and other matters which may properly come before the Meeting. At the date of this Information Circular, the management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting.

Hamilton, Ontario

By order of the Board of Directors,

J. W. Younger,
*Secretary.*

As of March 1, 1968.

# AMALGAMATION AGREEMENT

THIS AGREEMENT made this day of , 1968,

BETWEEN:

THE STEEL COMPANY OF CANADA, LIMITED
herein called "Stelco"

OF THE FIRST PART

— and —

PAGE-HERSEY TUBES, LIMITED
herein called "Page"

OF THE SECOND PART

— and —

PREMIER STEEL MILLS LTD.
herein called "Premier"

OF THE THIRD PART

— and —

THE CANADIAN DRAWN STEEL COMPANY, LIMITED
herein called "Drawn"

OF THE FOURTH PART

WHEREAS Stelco was incorporated under the Canada Corporations Act by letters patent dated June 8, 1910 and by virtue of the said letters patent and subsequent supplementary letters patent has an authorized capital consisting of 28,000,000 common shares without nominal or par value of which 24,328,847 common shares have been issued and are outstanding as fully paid and non-assessable;

AND WHEREAS Page was incorporated under the Canada Corporations Act by letters patent dated June 18, 1926 and by virtue of the said letters patent and subsequent supplementary letters patent has an authorized capital consisting of 4,000,000 shares without nominal or par value of which 3,253,152 shares have been issued and are outstanding as fully paid and non-assessable;

AND WHEREAS Premier was incorporated under the Canada Corporations Act by letters patent dated October 21, 1954 and by virtue of the said letters patent and subsequent supplementary letters patent has an authorized capital consisting of: (a) 5,000 preferred shares of the par value of $100 each issuable in series, of which 3,500 shares, designated as 6% cumulative redeemable preferred shares, series A, have been issued and redeemed leaving no preferred shares now outstanding; and (b) 1,000,000 common shares without nominal or par value of which 631,810 common shares have been issued and are outstanding as fully paid and non-assessable;

AND WHEREAS Drawn was incorporated under the Canada Corporations Act by letters patent dated May 8, 1916 and by virtue of the said letters patent and subsequent supplementary letters patent has an authorized capital consisting of 147,840 cumulative 60¢ dividend participating preferred shares without nominal or par value and 147,840 common shares without nominal or par value, all of which preferred and common shares have been issued and are outstanding as fully paid and non-assessable;

AND WHEREAS all the outstanding shares of Page, Premier and Drawn are owned by Stelco and recorded in its name or in the names of its nominees in the books of the said companies respectively;

AND WHEREAS it is considered desirable that Stelco, Page, Premier and Drawn should amalgamate pursuant to the provisions of the Canada Corporations Act in that behalf;

NOW THEREFORE THIS AGREEMENT WITNESSETH AS FOLLOWS:

1. Stelco, Page, Premier and Drawn shall amalgamate and continue as one company (herein called the "Amalgamated Company" or the "Company") under the name of THE STEEL COMPANY OF CANADA,

LIMITED, such amalgamation to be effective upon the issue of letters patent confirming this Agreement pursuant to the provisions of the Canada Corporations Act.

2. The objects of the Amalgamated Company are "to carry on in all its branches from iron ore and other raw materials to finished products the business of mining, manufacturing, processing, fabricating, buying, selling and otherwise dealing in or with iron and steel and the products thereof; to search for and develop iron ore, coal and other mines, quarries, minerals (including petroleum and natural gas) and other deposits and properties and to mine, extract, process and refine ores, metals and mineral substances of all kinds (including petroleum and natural gas); and to manufacture, process, fabricate, buy, sell and deal in or with all other metals, minerals, substances, goods, wares and merchandise."

3. The authorized capital of the Amalgamated Company shall consist of 35,000,000 common shares without nominal or par value, provided, however, that the aggregate consideration for the issue of the said 35,000,000 common shares without nominal or par value shall not exceed in amount or value the sum of $200,000,000 or such greater amount as the Board of Directors of the Amalgamated Company may deem expedient and as may be authorized by the Minister of Consumer and Corporate Affairs on payment of the requisite fees applicable to such greater amount.

4. The head office of the Amalgamated Company is to be situated in the City of Hamilton in the Province of Ontario.

5. The Board of Directors of the Amalgamated Company, unless increased or decreased in accordance with the provisions of the Canada Corporations Act, shall consist of 15 members and the first directors of the Amalgamated Company shall be the following:

| Name | Calling | Postal Address |
|---|---|---|
| William Herman Browne | Executive | 239 Strathallan Wood<br>Toronto 12, Ontario |
| Alistair Matheson Campbell | Executive | 3660 The Boulevard<br>Montreal 6, Quebec |
| John Dundas Campbell | Executive | 45 Markland Street<br>Hamilton, Ontario |
| Harold Scanlon Foley | Executive | 1503 Angus Drive<br>Vancouver 9, B.C. |
| James Douglas Gibson, O.B.E. | Consultant | 406 Glenayr Road<br>Toronto 10, Ontario |
| James Roycroft Gordon | Executive | 179 East 70th Street<br>New York 21, N.Y. |
| Allan Graydon, Q.C. | Solicitor | 408 Russell Hill Road<br>Toronto 7, Ontario |
| Harold Melvin Griffith | Executive | 224 Rossmore Boulevard<br>Burlington, Ontario |
| George Arnold Reeve Hart, M.B.E. | Executive | 1700 McGregor Street<br>Montreal 25, Quebec |
| Frederick Charles Mannix | Executive | 300 Ninth Avenue<br>Calgary, Alberta |
| D. Ross McMaster, Q.C. | Solicitor | 3141 Daulac Road<br>Montreal 6, Quebec |
| Lucien Gilbert Rolland | Executive | 90 Summit Circle, Westmount<br>Montreal 6, Quebec |
| Vincent William Thomas Scully, C.M.G. | Executive | 28 Aberdeen Avenue<br>Hamilton, Ontario |
| H. Greville Smith, C.B.E. | Executive | 3940 Cote des Neiges Road<br>Montreal 25, Quebec |
| William Holton Young | Executive | Sulphur Springs Road<br>Ancaster, Ontario |

6. Directors of the Amalgamated Company shall be elected by the shareholders at its first annual meeting; until such election takes place the first directors named in the preceding paragraph shall be the directors of the Amalgamated Company; provided that, if prior to the issue of letters patent confirming this Agreement any of the persons named in the preceding paragraph shall die or become disqualified from acting as a director of the Amalgamated Company, a substitute may be nominated by the Board of Directors of Stelco and such substitute shall be a first director of the Amalgamated Company as if he had been named in the preceding paragraph.

7. The several persons who shall be officers of Stelco immediately before the issue of letters patent confirming this Agreement shall hold the same offices in the Amalgamated Company until their successors are duly elected or appointed.

8. The by-laws of Stelco in force immediately before the issue of letters patent confirming this Agreement shall, to the extent not inconsistent with this Agreement, be the by-laws of the Amalgamated Company until repealed or amended.

9. (a) The authorized capital of Page shall be reduced by the cancellation of 746,848 unissued shares and 3,253,152 issued and outstanding shares recorded in its books in the name of Stelco or its nominees.

(b) The authorized capital of Premier shall be reduced by the cancellation of 1,500 unissued preferred shares, 3,500 issued preferred shares which have been redeemed in accordance with the provisions relating thereto, 368,190 unissued common shares and 631,810 issued and outstanding common shares recorded in its books in the name of Stelco or its nominees.

(c) The authorized capital of Drawn shall be reduced by the cancellation of 147,840 issued and outstanding preferred shares and 147,840 outstanding common shares recorded in its books in the name of Stelco or its nominees.

10. The common shares of Stelco issued and outstanding immediately before the issue of letters patent confirming this Agreement shall be converted share for share into an equal number of issued and fully paid common shares without nominal or par value of the Amalgamated Company. The authorized but unissued common shares of Stelco shall be converted into an equal number of authorized but unissued common shares without nominal or par value of the Amalgamated Company.

11. Except for the shares of Page, Premier and Drawn owned by Stelco and recorded in its name or in the names of its nominees and to be cancelled in accordance with the foregoing provisions, the Amalgamated Company shall, without further action by way of conveyance or otherwise, possess all the property, rights, assets, privileges and franchises, and be subject to all the contracts, liabilities, debts and obligations of each of Stelco, Page, Premier and Drawn.

12. All rights of creditors against the property, rights, assets, privileges and franchises of Stelco, Page, Premier and Drawn and all liens on their respective property, rights, assets, privileges and franchises shall be unimpaired by the amalgamation provided for in this Agreement, and all debts, contracts, liabilities and duties of each of the said companies shall thenceforth attach to the Amalgamated Company and may be enforced against it.

13. No action or proceeding by or against Stelco, Page, Premier or Drawn shall abate or be affected by this amalgamation.

14. Upon the shareholders of Stelco, Page, Premier and Drawn respectively adopting this Agreement in conformity with the Canada Corporations Act, such fact shall be certified upon this Agreement by the secretary of each of the said companies under their respective corporate seals and, subject to the provisions of the Canada Corporations Act in that behalf, the said companies shall jointly file this Agreement with the Minister of Consumer and Corporate Affairs and make application for letters patent confirming it.

15. Upon the issue of letters patent confirming this Agreement the following provisions shall apply to the Amalgamated Company:

(a) The Company may pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in the capital stock of the Company or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any such shares provided, however, that such commission shall not exceed 10% of the amount realized therefrom;

(b) The Board of Directors of the Company may fix in advance a date preceding by not more than 42 days the date of any meeting of shareholders as a record date for the determination of the persons entitled to vote thereat, and in every such case, provided such record date shall have been specified in the notice calling the meeting, only such persons as shall be entered as shareholders in the

books of the Company at the close of business on such record date shall be entitled to attend and vote at said meeting or to be represented thereat by proxy, notwithstanding the transfer of any shares after such record date;

(c) An instrument appointing a proxy to represent a shareholder at any meeting of shareholders shall not be valid or acted upon unless it appoints a shareholder of the Company entitled to attend and vote at such meeting and is made in writing and delivered to the secretary of the Company prior to such time, being not earlier than seventy-two hours before the commencement of the meeting at which it is to be used, as may be determined by the Board of Directors and specified in the notice calling the meeting; and

(d) When authorized by by-law duly passed by the directors and sanctioned by at least two thirds (2/3) of the votes cast at a special general meeting of the shareholders duly called for considering the by-law, the directors of the Company may from time to time:

(i) borrow money upon the credit of the Company;

(ii) limit or increase the amount to be borrowed;

(iii) issue debentures or other securities of the Company;

(iv) pledge or sell such debentures or other securities for such sums and at such prices as may be deemed expedient; and

(v) secure any such debentures, or other securities, or any other present or future borrowing or liability of the Company, by mortgage, hypothec, charge or pledge of all or any currently owned or subsequently acquired real and personal, moveable and immoveable, property of the Company, and the undertaking and rights of the Company.

16. Stelco, Page, Premier and Drawn may by resolution of their respective directors assent to any alteration or modification of this Agreement which the shareholders of the respective companies at the meetings called to consider the same, or the Minister of Consumer and Corporate Affairs, may approve, and this Agreement shall be read and construed to mean this Agreement as so altered and modified.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto under their respective corporate seals and the hands of their duly authorized officers.

THE STEEL COMPANY OF CANADA, LIMITED
by:

PAGE-HERSEY TUBES, LIMITED
by:

PREMIER STEEL MILLS LTD.
by:

THE CANADIAN DRAWN STEEL COMPANY, LIMITED
by:

| THE YEAR IN BRIEF | 1968 | 1967 |
|---|---|---|
| Sales | $589,612,742 | $512,385,565 |
| Net profit | $ 67,971,231 | $ 46,732,814 |
| Per cent of sales | 11.5% | 9.1% |
| Per share | $2.79 | $1.94 |
| Dividends declared | $ 24,329,297 | $ 20,518,194 |
| Per share | $1.00 | $ .85 |
| Taxes — income and all other | $ 46,414,572 | $ 35,622,750 |
| Per share | $1.91 | $1.48 |
| New investment — plants and raw material properties | $ 33,498,324 | $ 89,211,607 |
| Depreciation | $ 37,110,642 | $ 33,057,684 |
| Materials and services bought and used | $253,179,000 | $231,063,000 |
| Total employment costs | $186,948,273 | $169,218,730 |
| Working capital, year end | $175,810,479 | $123,860,587 |
| Raw steel produced — net tons | 4,484,635 | 3,965,975 |
| Average number of employees | 21,584 | 20,556 |
| Number of shareholders, year end | 52,520 | 53,340 |
| Number of shares outstanding, year end | 24,330,347 | 24,139,052 |

## DIRECTORS

| | |
|---|---|
| *W. Herman Browne, Toronto | *Chairman of the Board, Moore Corporation, Limited* |
| *Alistair M. Campbell, Montreal | *President, Sun Life Assurance Company of Canada* |
| J. D. Campbell, Hamilton | *Industrialist* |
| Harold S. Foley, Vancouver | *Industrialist* |
| *J. Douglas Gibson, O.B.E., Toronto | *Financial and Economic Consultant* |
| J. Roy Gordon, New York | *Industrialist* |
| *Allan Graydon, Q.C., Toronto | *Counsel, Messrs. Blake, Cassels & Graydon, Barristers & Solicitors* |
| *H. M. Griffith, Hamilton | *President and Chief Executive Officer of the Company* |
| G. Arnold Hart, M.B.E., Montreal | *Chairman of the Board and Chief Executive Officer, Bank of Montreal* |
| Frederick C. Mannix, Calgary | *Chairman of the Board, Loram Ltd.* |
| *D. R. McMaster, Q.C., Montreal | *Partner, Messrs. McMaster, Meighen, Minnion, Patch & Cordeau, Barristers & Solicitors* |
| Lucien G. Rolland, Montreal | *President and General Manager, Rolland Paper Company, Limited* |
| *V. W. Scully, C.M.G., Hamilton | *Chairman of the Board of the Company* |
| H. Greville Smith, C.B.E., Montreal | *President, Canadian International Investment Trust Limited* |
| William H. Young, Hamilton | *President and General Manager, The Hamilton Cotton Co., Ltd.* |

*Member of the Executive Committee*

## EXECUTIVE OFFICERS

| | |
|---|---|
| V. W. Scully | *Chairman of the Board* |
| H. M. Griffith | *President and Chief Executive Officer* |
| H. J. Clawson | *Vice-President, Personnel* |
| N. J. Brown | *Vice-President and Comptroller* |
| R. B. Taylor | *Vice-President and Treasurer* |
| A. D. Fisher | *Vice-President, Planning, Engineering and Research* |
| J. P. Gordon | *Vice-President, Operating* |
| A. R. McMurrich | *Vice-President, Marketing* |
| J. W. Younger | *Secretary* |

## VICE-PRESIDENTS

*Eastern Region* — L. H. Doering

*Manufacturing* — A. J. Harris, S. W. McDermott

*Sales* — J. D. Allan, K. B. MacNaughton

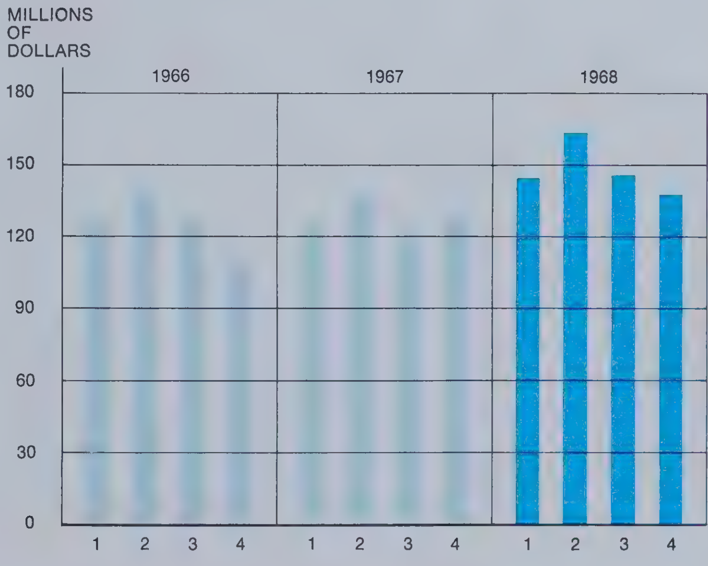
## DIRECTORS' REPORT


*Mr. H. M. Griffith, President, officiated at the pouring of the year's four millionth ton of steel in November 1968. Only five years previously the late Mr. Hilton performed a similar ceremony at the pouring of Stelco's first three millionth ton.*

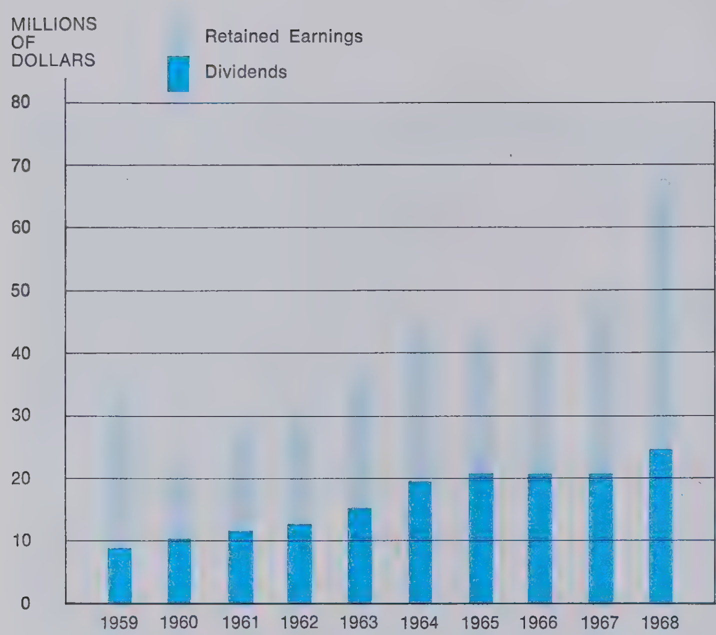
TO THE SHAREHOLDERS OF
THE STEEL COMPANY OF CANADA, LIMITED:

*The Board of Directors submits herewith the Annual Report of your Company and its subsidiaries, together with the consolidated statement of financial position and related financial statements for the year ended December 31, 1968, and the report of your auditors.*

A buoyant economy and a growing volume of export trade resulted in an increased demand for steel in Canada in 1968. Your Company, with major new producing units in use for most of the year, participated fully in the enlarged markets for its products and attained record levels of output and sales. Earnings also were considerably higher than in any previous year, reflecting the efficient use of expanded capacity. Net profit was further enhanced by the benefits arising from increased consumption of raw materials from ownership sources.




*Consolidated Net Sales by Quarters*




*Net Profits and Dividends, 1959-1968*

## PRODUCTION AND SALES

Production of raw steel was 4,484,635 tons, an increase of 13.1% over the previous record of 3,965,975 tons produced in 1967. This increase was achieved without the addition of new steelmaking units. Technical improvements, more rapid furnace charging practices and the added supply of pig iron (hot metal) following the start-up of No. 5 blast furnace at the beginning of the year, all contributed to the higher output.

Many new departmental production records were established at Hilton Works. The 148″ plate mill, brought into operation in 1965, had its busiest year to date and produced large tonnages of skelp for pipeline contracts. No. 2 rod mill and No. 3 galvanizing line, still within their breaking-in periods in 1968, operated satisfactorily and recorded steady improvements in output and efficiency. Other units installed in the past few years, including the 80″ pickling line and the 80″ temper mill, together with modifications and installations introduced in several of the other processing mills, also contributed to the increases in capacity required to meet rising demand.

The large diameter pipe mills at Welland, Ontario, and Camrose, Alberta, operated at capacity for long periods and, in general, the level of activity at the other pipe mills and fabricating plants was somewhat higher than in the previous year. However, the markets for a number of product lines continued to reflect uncertain demand conditions and restricted prices due, in part, to competition from offshore producers.

Consolidated sales totalled $589,612,742, compared with $512,385,565 in 1967 and the previous record of $516,405,960 established in 1965. Shipments of line pipe were particularly heavy in the first half of the year and although these declined after mid-year the effect was largely offset by a rising volume of orders for other products. As a result, new records for shipments and sales were established for each quarter of the year.

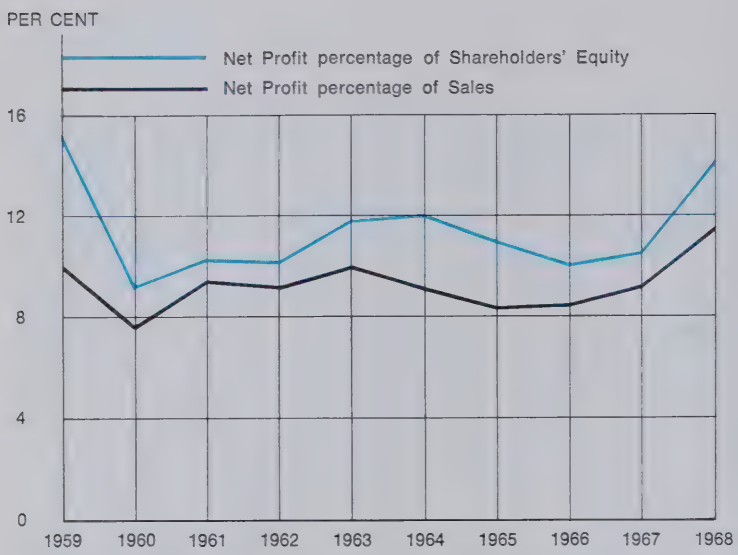
Export sales, including most of the large order for the United States' section of the Great Lakes Gas Transmission system referred to in last year's Annual Report, were also well above previous levels.

## PROFITS AND COSTS

Net profit for the year was $67,971,231, compared with $46,732,814 in 1967. Earnings per share rose to $2.79 from $1.94 in the prior year. The ratios of net profit to sales and to shareholders' equity were 11.5% and 14.1% respectively, compared with 9.1% and 10.5% in 1967.

The higher level of net profit earned in 1968 reflects the benefits obtained from the heavy capital outlays of the previous five years. During the construction of large and complex projects covering extended periods, profits did not rise in keeping with the growing investment. In 1968, with the new plant and equipment

The 989-mile 36″ diameter pipeline of Great Lakes Gas Transmission Company, owned jointly by Trans-Canada Pipe Lines of Toronto and American Natural Gas Company of Detroit, was completed in 1968 and includes two parallel 4.3-mile submarine crossings of the Straits of Mackinac between Lakes Michigan and Huron. Pictured above is the north shore area where 1,500-ft. welded sections of 24″ diameter concrete-coated Stelco pipe, supported by removable pontoons, were successively launched from roller cradles into the 260-ft. deep Straits.




*Return on Sales and Shareholders' Equity, 1959-1968*

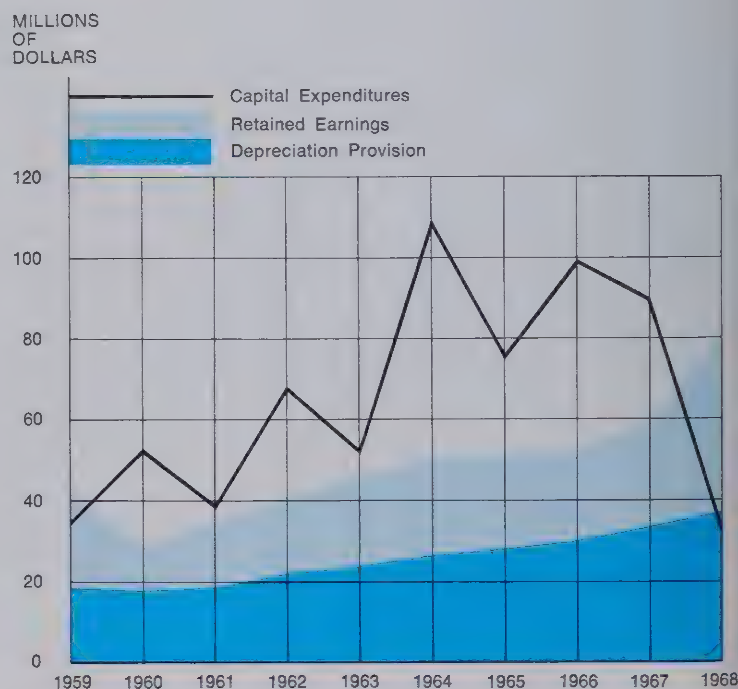
operating at near capacity rates, a more satisfactory relationship between earnings and investment was achieved.

Exemption from tax of income from the operation of the Scully Mine, which has had a significant effect on net profits since April 1, 1966, terminates March 31, 1969. However, a similar three-year tax exempt period in respect of income attributable to the Griffith Mine will begin in 1969. These tax exemptions are an important factor in the investment returns required to justify the economic development of raw material resources in remote areas of the country.

Despite the improvement in earnings, the rates of increase in employment costs and in the costs of services, supplies, and equipment, continue to give cause for serious concern. Such increases inhibit the earning of reasonable profit margins on many products, particularly those with a high labour content. All marginal lines are subject to continual study with a view to improving their profit contribution or eliminating them when their production can no longer be justified economically.

## DIVIDENDS

A dividend of 20 cents a share was declared for the first quarter of the year. In June, your Directors adjusted the dividend rate for the first time since 1963, increasing the quarterly distribution to 25 cents a share and discontinuing the year-end extra distribution of 5 cents a share. A dividend of 25 cents a share was declared for the third quarter. In December the quarterly rate was again increased and a dividend of 30 cents a share was declared for the fourth quarter. The total declaration for the year was $1.00 a share compared with 85 cents a share in 1967 and amounted to $24,329,297 compared with $20,518,194 in the prior year.




*Capital Expenditures, Depreciation and Retained Earnings, 1959-1968*

Canadian shareholders are entitled to deduct, for tax purposes, a depletion allowance of 20% from the dividend for the fourth quarter of 1967 which was paid February 1, 1968, and a depletion allowance of 15% in respect of dividends declared for the year 1968 and paid May 1, August 1, November 1, 1968 and February 1, 1969.

## FINANCIAL

Capital expenditures for plants and mining properties were $33,498,324 in 1968, compared with $89,211,607 in 1967. Outlays declined sharply as expansion programs were completed. At the end of the year, the amount unspent on approved capital projects was $32,000,000, approximately the same as the amount of corresponding commitments at the end of 1967.

As shown in the statement on page 21, working capital increased by $51,949,892 in the year. The principal factors contributing to this increase were the higher net profit earned, the reduction in capital spending compared with the prior year, receipts from the issue of capital stock under the Employees' Stock Purchase Plan, and the special refundable tax repayments received in 1968 or largely due for repayment in 1969.

The Company's cash position strengthened considerably during the year. Short-term bank loans, which amounted to $13,500,000 at the end of 1967, were paid off, and the total of cash and short-term investments rose from $6,702,612 to $61,347,294. Accounts receivable, reflecting the greater volume of business, were moderately higher. Raw materials inventories also increased, but the inventory of finished and semi-finished products declined slightly.

There were no significant changes during the year in investments in associated companies which amounted,

*A new electro-galvanizing line for steel wire was in operation at Dominion Works in 1968. The U-shaped 400-foot-long line can coat 16 wires simultaneously and more than doubles Stelco's production capacity for this specialized product used in the manufacture of power, telephone and bridge suspension cables and other industrial products.*

at cost, to $20,647,391 at December 31, 1968, compared with $20,397,593 at December 31, 1967. The increase represented additional advances to support expanded operations.

Following the established practice of progressive improvement in financial reporting, two changes appear in the statements submitted with this Report. The traditional balance sheet has been replaced by a "Consolidated Statement of Financial Position" which is simple in form and discloses more clearly the amount of working capital. The source and use of funds statement has been renamed "Consolidated Statement of Changes in Working Capital", which more accurately describes its purpose as a complement to the Consolidated Statement of Financial Position. Additional information regarding inventories and fixed assets is now

provided in the "Notes to Consolidated Financial Statements" on page 20.

## CAPITAL STRUCTURE

At the Annual and Special General Meeting in April 1968, shareholders approved an Amalgamation Agreement under the provisions of the Canada Corporations Act between The Steel Company of Canada, Limited and the wholly-owned subsidiaries, Page-Hersey Tubes, Limited, Premier Steel Mills Ltd., and The Canadian Drawn Steel Company, Limited. The amalgamation was to be carried out only if certain tax problems were resolved before December 31, 1968. Within the year these matters were resolved, and, accordingly, the Amalgamation Agreement was implemented on January 1, 1969. In accordance with Letters Patent issued as of that date, the authorized capital of The Steel Company of Canada, Limited (the amalgamated company), consists of 35,000,000 common shares without nominal or par value, an increase of 7,000,000 shares over the previous authorized capital of the Company.

Administrative and accounting procedures will be simplified under the new arrangement, but, since the results of the amalgamated companies have been reported on a consolidated basis in the past, the amalgamation will not affect the financial reports issued to shareholders.

## PLANTS

At Hilton Works, the new coke oven battery and chemicals recovery plant, No. 5 blast furnace and No. 3 continuous galvanizing line, brought into operation in the early weeks of 1968, performed well and are fulfilling the expectations on which their approvals were based. Other equipment changes and additions included the following:

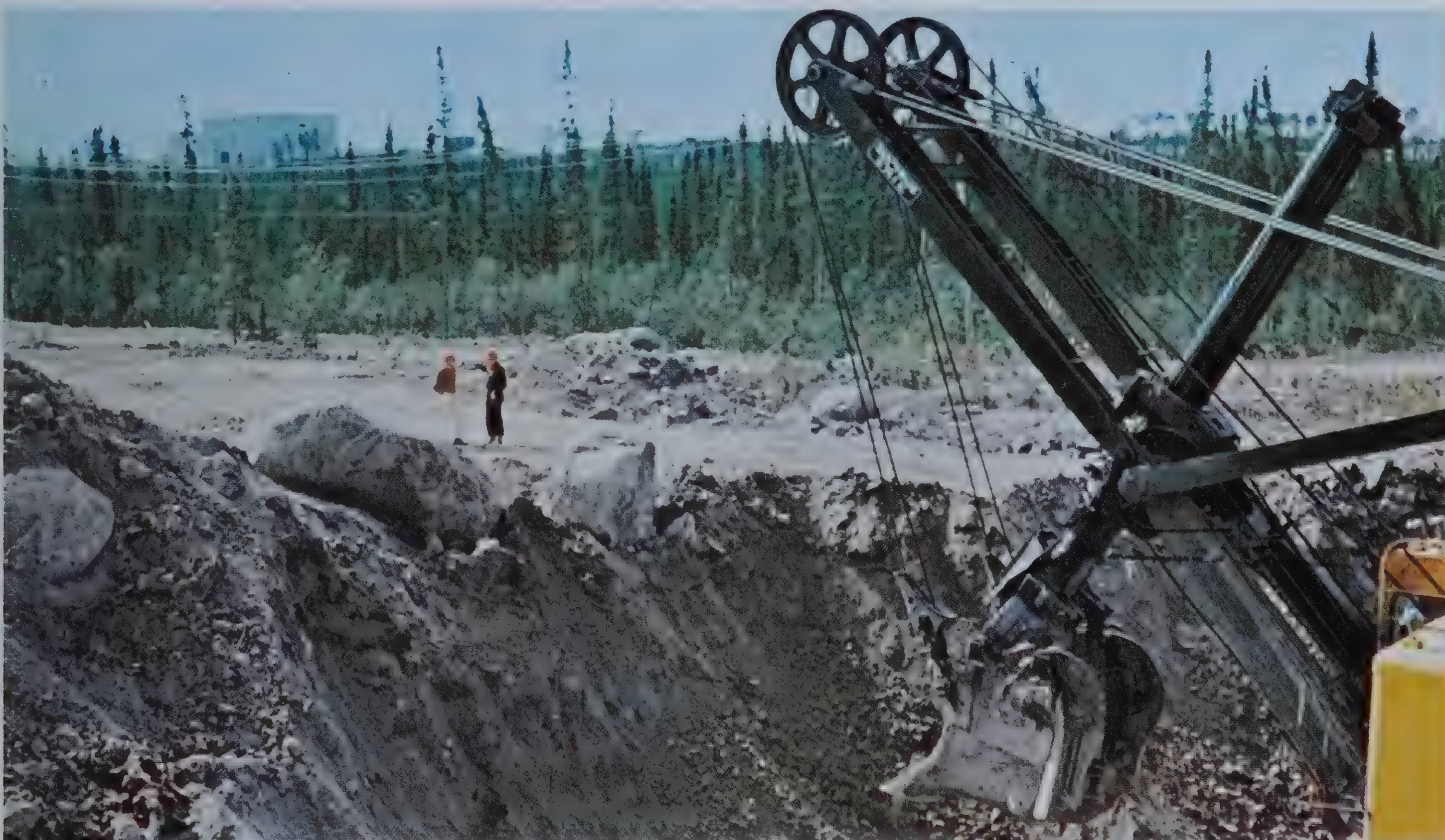
- Blast furnace No. 3 was improved during relining to raise its efficiency and capacity.
- Additional soaking pits (reheating furnaces) were installed in No. 2 blooming mill and extensions were made to the slab yard, conditioning area and plate mill shipping facilities to provide for an increase in the output of slabs, plates and skelp.
- A hot deseamer was installed in No. 1 blooming mill to raise yields and reduce billet conditioning requirements.
- Under a continuing program of air and water quality control, another precipitator was added to the open hearth furnaces. In addition, the program included conversion of No. 2 pickling line from the use of sulphuric acid to hydrochloric acid, an improvement that provides for acid regeneration with resulting cost savings.

Other installations now in progress at Hilton Works include a new ingot stripper building and crane to increase the output of ingots, two more soaking pits for the slabbing mill and additional warehousing space and handling equipment for flat rolled products to maintain a high standard of customer service.

Projects completed or under way at the fabricating plants included the following:

- At Page-Hersey Works in Welland, new equipment to extend the size range of hollow structural sections and a new electricweld tube manufacturing plant to meet a growing demand for this type of product.
- At Premier Works in Edmonton, additions to the rolling mill to improve efficiency and provide larger rolled sections for the Western market.
- In the Montreal area, improvements to the bar mill at McMaster Works and additional equipment at

*THE GRIFFITH MINE. Completed in 1968, the new Stelco mining complex at Bruce Lake, Ontario, is designed to produce 1,500,000 tons of iron ore pellets annually. The picture below shows overburden and rock being removed from the pit area. After blasting, the ore is trucked to the processing plant for crushing and grinding, following which magnetic separators and a flotation system are used to remove impurities. The resulting concentrate is rolled into pellets and heat hardened.*



*The picture on the left shows the Honourable J. P. Robarts, Prime Minister of Ontario, and Mr. H. M. Griffith, President, at the official opening of the mine in June.*

*The permanent commemorative monument (detail right) is constructed of weather-resisting Stelcoloy steel mounting a section of polished crude ore from the mine.*

Notre Dame Works for the manufacture of rock bolts.

- At Parkdale Works, new pickling facilities designed to use hydrochloric acid for better control of water quality.
- At Frost Works, a new building equipped for the fabrication of prepainted residential steel siding.

## RAW MATERIALS

The Griffith Mine, the Company's latest Canadian iron ore mining and pelletizing complex, was opened officially in June by the Honourable John Robarts, Prime Minister of Ontario. Production began earlier in the year and increased steadily to a commercial level at the beginning of 1969. Capacity is rated at 1,500,000 tons of pellets a year, the Company's investment in the property being approximately $62 million.

Expansion of the Scully Mine in Labrador and the Arnaud Pellet Plant at Pointe Noire, Quebec, was completed during the year and these facilities are now capable of producing 6,000,000 tons of iron ore pellets annually. With an interest of 25.6%, Stelco is entitled to receive approximately 1,500,000 tons of this output.

Through its large-scale participation in the development of Canadian iron ore resources in the past twelve years, your Company has drastically reduced its dependence on imported ores and has helped to open up new areas of the country and improve Canada's balance of trade. It cannot be overlooked, however, that the economic justification for these developments has been, and continues to be, largely dependent on the incentive provisions of the present tax laws governing mining operations in Canada.

All of the Company's other ore and coal mines operated satisfactorily throughout the year, and adequate supplies of raw materials were produced. New labour contracts were negotiated or are in process of negotiation at nearly all properties and substantial increases in wage rates and fringe benefits have already added to raw material and steelmaking costs.

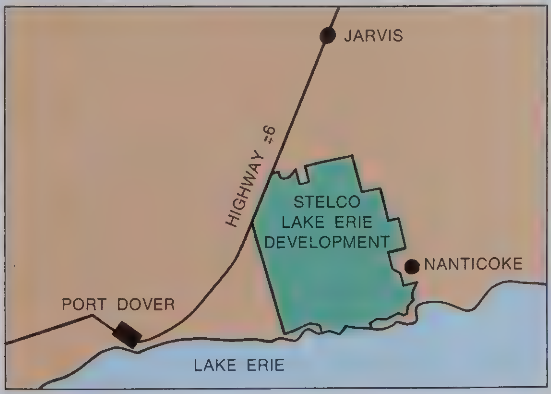
## FORWARD PLANNING

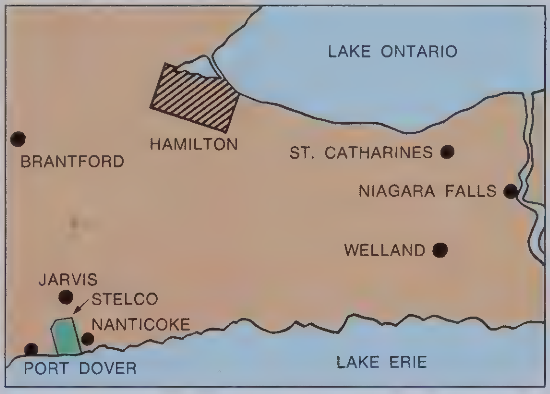
By the year 1980, Canada's population is expected to exceed 25 million. With rising standards of living and a trend towards higher steel consumption per capita, Canadian steel production in this period could grow to twice the 1968 output of approximately 11,100,000 tons. Accordingly, with the intention of retaining its current share of the market, The Steel Company of Canada must plan to double its own production capacity in the next twelve years.

This need for growth in a rapidly changing and highly competitive environment is the basis for the Company's long-range plans. The planning embraces carefully prepared forecasts of the expected increase in demand for steel products and the competitive conditions which are likely to be encountered. Also, intensive technical and engineering studies are made to ensure that the design and location of new facilities, and the timing of their construction, will be properly coordinated with market needs to serve the long-term interests of the Company and its shareholders.

The acquisition in 1968 of 6,600 acres of property on Lake Erie in the area of Nanticoke, Ontario, was the initial step in the creation of a major new steel plant to meet future needs. The first facilities at this site are being designed and will be installed in the next few years. The feasibility of developing an appropriate part of the acreage for use as an industrial park is also being studied.

LAKE ERIE DEVELOPMENT. *The aerial photograph below, taken looking toward the east, shows the shoreline section of the Lake Erie property acquired in 1968 as the site for future expansion and development. The eastern and western boundaries coincide approximately with the top and bottom extremities of the picture, but the property extends further inland to the north to more than double the acreage visible in the photograph. The area offers good harbour potential and convenient access to railroads and highways.*




*The full extent of the property — 6,600 acres — is indicated by the map on the left which shows the site location in relation to the neighbouring communities of Port Dover, Jarvis and Nanticoke. Proximity to Hamilton and other centres in southern Ontario is indicated by the map on the right. The distance between the property and the present centre of operations in Hamilton is approximately 40 miles.*

In the meantime, it is proposed that the production capacity of Hilton Works be further expanded with the installation of basic oxygen steelmaking furnaces and a third bloom and billet mill to relieve capacity shortages indicated by market forecasts.

With the predicted increased demand for steel products and the Company's aim to preserve its leading position in the industry, capital expenditures can be expected to rise sharply in the years ahead. However, careful scheduling of the construction projects will be maintained to minimize the needs for additional financing and to permit the best use of internally generated funds.

Changing administrative needs must also be provided for. The Company's main offices in Hamilton, within Hilton Works, are no longer adequate for the staff and services required. Therefore, and as previously announced, it is the intention to move those general office functions not directly involved with the day-to-day operations of Hilton Works to a new office building to be erected in downtown Hamilton. Also, because of the Company's increasing size and broadening interests, your Directors consider that it would be advantageous to have the overall planning and administration of affairs directed from a major commercial, financial and governmental centre. They have accordingly enacted a By-Law changing the Head Office of the Company from Hamilton to Toronto. This By-Law is to be submitted at the forthcoming Annual Meeting for approval by the shareholders. Your Directors are convinced that the change, which will involve the transfer of the senior officials and certain staff functions to Toronto, is in the best long-term interests of the shareholders.

*Management courses include instruction in the use of computers. In addition to its own large-scale installation, the Company has several access points connected to outside "time-shared" computers. These are available to all departments for the prompt solution of scientific, technical and business problems.*

## RESEARCH

Stelco's pioneering development of a process for converting iron ore directly into steel — by-passing both the coke oven and blast furnace operations — moved closer to commercial application in 1968. A successful demonstration before an international audience of steelmakers from Australia, Belgium, Canada, France, Japan, New Zealand, the United Kingdom, the United States and West Germany began with the direct reduction of iron ore to metallic iron using the patented SL/RN process in the rotary kiln at Hilton Works. This was followed by the showing of a newly-

*Nearly 100,000 visitors inspected the MOD house at the National Home Show in Toronto. Structurally designed by Stelco engineers to an architectural plan, the prototype was built to demonstrate the use of steel to create an attractive, roomy house at moderate cost.*

*Stelco Hollow Structural Sections contribute high strength, torsion resistance and excellent appearance in a growing variety of applications which include agricultural equipment, buildings, bridges and consumer products.*

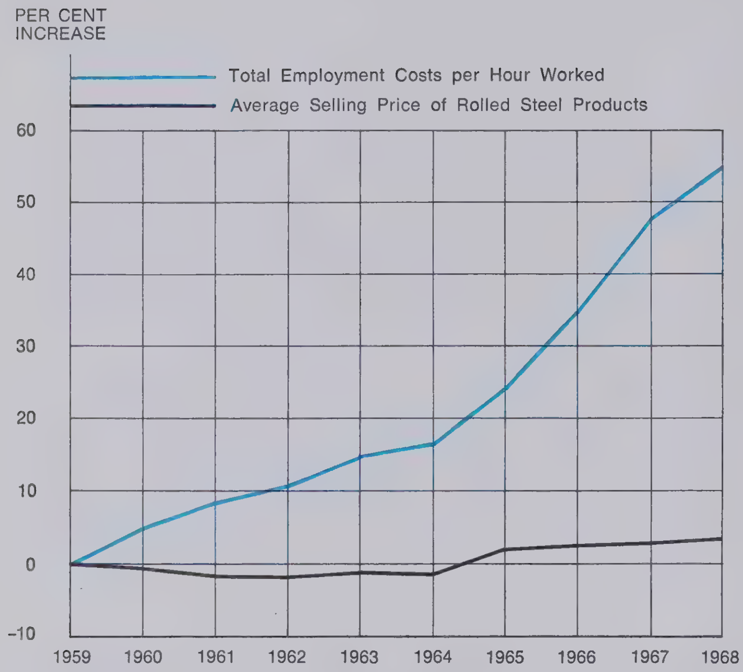
patented process by which metallic iron is continuously charged into an electric-arc furnace and converted into steel. The combination of processes offers great promise of significant reductions in the capital and operating costs of steelmaking, and more flexibility in the design and expansion of steel plants.

The SL/RN process was originally developed by Stelco in association with the Lurgi-Chemie Company of West Germany. The National Lead Company and Republic Steel Corporation of the United States subsequently joined in the development and promotion of the process and at the present time direct reduction plants are being constructed under licence from the group in New Zealand, South Korea, South Africa and Canada. Other plants, in Australia, Brazil and elsewhere, are in the planning stage, and a combined direct reduction/electric-arc steelmaking facility is being studied for Stelco's own use at its Lake Erie site.

Other research activities during the year included promising developments in new processes and products, and new types of coated steels. Progress was also made in the application of computer-assisted process control systems to steelmaking operations in the open hearth department.

## MARKETING

Marketing efforts in 1968 were again concentrated on achieving maximum participation in those markets offered by the main steel-consuming industries — construction, automotive and steel service centres. Major gains were recorded in the supply of Stelco products to large construction projects including oil and gas pipelines, oil refineries, bridges, office buildings and electrical generating stations. Contributing to these gains have been new products such as hol-




*Employment Costs and Selling Prices Percentage Increases, 1959-1968*

low structural sections, Stelcoloy weathering steel, Stelcolour prepainted steel and high-tensile electro-galvanized wire for bridge suspension cables.

Energetic promotion of a "Steel in Homes" program is bringing encouraging results. Steel components in the form of siding, studs, joists, and door frames for single and multiple dwellings are gaining acceptance. The installation of equipment to fabricate prepainted steel siding, referred to elsewhere in this Report, will represent a further important step in the development of this market.

Through award-winning publications such as "Scope" and "Trend", the "Scope of Steel" message is being carried in creative and stimulating form to architects, engineers and product designers. During the past year, a series of highly successful "Building with Steel" seminars were held in major cities across Canada. The Company also participated in a consortium which designed a structural steel system to be incorporated into a major school building program in Toronto.

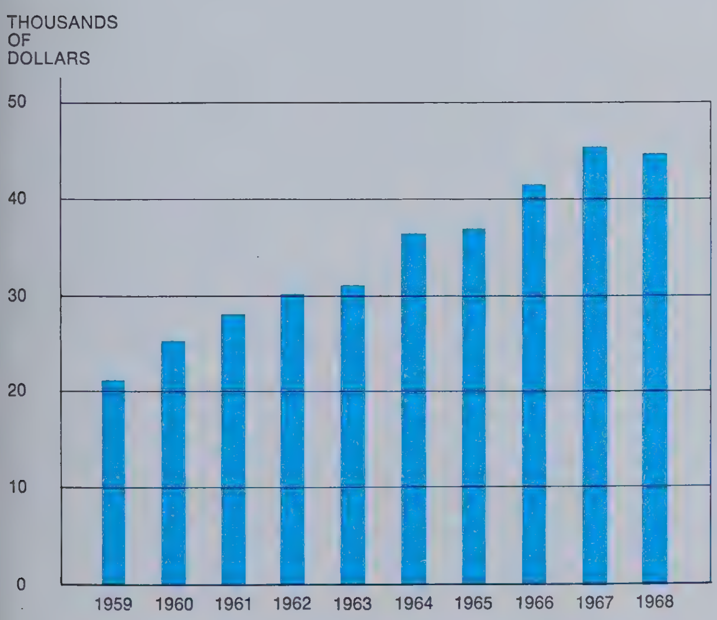
The field sales organization is being regrouped to meet the changing needs of present and potential customers. Specialty teams have been set up to assist customers in various industries. Advertising and sales promotion programs to support the sale of steel products at the consumer level continue to receive attention. Efforts continue to be made to determine how steel can better serve the agricultural industry. A growing use of computers to perform production planning and control functions and improvements in the Company's country-wide telephone and communications network are also contributing to a superior level of customer service.

## EMPLOYEES

Labour relations were generally satisfactory in 1968. The exception was at the relatively small operation of Saskatchewan Steel Fabricators Ltd. in Regina, where a ten-week strike ended in August with the signing of a three-year contract. New agreements between the Company and the Unions representing employees at Hilton Works and the main fabricating plants will be negotiated in 1969.

An average of 21,584 people were employed in 1968, about 5% more than in 1967. Wage increases provided by the terms of current collective agreements averaged approximately 13 cents per hour worked and appropriate adjustments were made in the rates of pay of salaried employees. Total employment costs, summarized in the following table, were 10.5% higher than in 1967. The average per employee was $8,661 compared with $8,232 in the prior year.

| EMPLOYMENT COSTS (Dollars in Thousands) | 1968 | 1967 |
|---|---|---|
| WAGES AND SALARIES | | |
| For time worked | $154,462 | $138,849 |
| For vacation and statutory holidays not worked | 10,086 | 9,686 |
| | $164,548 | $148,535 |
| SUPPLEMENTARY EMPLOYEE BENEFITS | | |
| Pension costs | $ 12,490 | $ 12,084 |
| Group insurance plans and other benefits | 7,256 | 6,465 |
| Unemployment insurance and workmen's compensation | 2,654 | 2,135 |
| | $ 22,400 | $ 20,684 |
| TOTAL EMPLOYMENT COSTS | $186,948 | $169,219 |




*Total Investment in Fixed Assets per Employee, 1959-1968*

*A preliminary model of the proposed office tower which will form part of the Civic Square development in downtown Hamilton and in which Stelco's administrative departments will occupy a number of floors. The building is planned for completion in 1971.*

During 1968, $12,490,181 was paid into employee pension trust funds, including payments to the Canada and Quebec Pension Plans. Payments amounting to $4,241,523 were made from these funds to 2,126 retired employees, including 315 who retired during the year.

*A management science class in progress at the Stelco Research Centre. Such classes are a regular feature of the training provided for management and staff personnel.*

*Stelco employees help with the preparation of the Hamilton and District United Appeal Campaign. The contributions and assistance provided by Stelco personnel are important to the success of such campaigns in several areas where the Company's plants and offices are located.*

*Safety*

Effective accident prevention is a prime responsibility of every member of the organization. Accordingly, safety continues to receive special attention throughout all departments with particular emphasis on proper working conditions and the education of employees in safe practices. A safety award was recently granted by the Industrial Accident Prevention Associations to the Utilities Department at Hilton Works in recognition of an outstanding record of accident prevention.

*Employee Development*

The Company's growth, and the increasing complexity of its affairs, emphasize the importance of effective methods of selecting, recruiting, training and developing highly talented people capable of providing the wide range of skills and assuming the many levels of responsibility essential to the efficient operation of the business.

Employees are encouraged to advance their knowledge and skills throughout their careers with the Company. An increasing number avail themselves of the tuition reimbursement program to further their vocational or professional development through extension courses offered by universities, high schools and technical institutes. In addition, a wide variety of courses is available within the Company. These include apprenticeship programs and instruction in many subjects which range from data processing, management sciences and practices, product selling, and market development to highly specialized courses covering the latest developments in the production and marketing of steel. Many employees also take part as discussion leaders and instructors in outside seminars, workshops and management courses sponsored by educational, professional and industrial institutions and associations.

A number of Stelco employees gained special recognition in 1968 in the form of awards and medals for their contributions to the advancement of knowledge in various aspects of steelmaking technology. Included in these honours was the American Iron and Steel Institute's Annual Award granted to three Stelco employees for their presentation of a technical paper on the continuous processing of metallic iron to steel in an electric-arc furnace.

## SHAREHOLDERS

The number of Stelco shareholders at December 31, 1968, was 52,520, compared with 53,340 at the end of 1967. Residents of Canada held approximately 95% of the shares outstanding, the average individual holding being 463 shares.

## DIRECTORS

Your Directors regret to announce the resignations of Mr. Harold S. Foley and Mr. J. D. Campbell as Directors of the Company, effective February 17, 1969, and take this opportunity of gratefully acknowledging their wise counsel during the periods they served as Directors.

The vacancies on the Board have been filled by the election, on February 17, 1969, of The Honourable Ernest C. Manning, P.C., formerly Premier of the Province of Alberta, and Dr. H. G. Thode, President and Vice-Chancellor of McMaster University.

* * *

Your Directors wish to express their appreciation to the officers and employees for their contribution to the Company's outstanding performance in the past year. The continued support of shareholders, customers and suppliers is also gratefully acknowledged.

Submitted on behalf of the Board of Directors.

H. M. GRIFFITH,
*President*

V. W. SCULLY,
*Chairman of the Board*

Hamilton, Canada
February 17, 1969.

## Consolidated Statement of Income and Retained Earnings

| | Year 1968 | Year 1967 |
|---|---|---|
| *Revenue* | | |
| Net sales | $589,612,742 | $512,385,565 |
| Income from short-term investments | 2,097,680 | 650,609 |
| | 591,710,422 | 513,036,174 |
| *Expense* | | |
| Cost of sales, exclusive of the following items | 445,972,895 | 405,496,637 |
| Provision for depreciation (Note 5) | 37,110,642 | 33,057,684 |
| Interest on long-term debt | 3,200,961 | 3,392,214 |
| Provision for income taxes — current (Note 6) | 38,671,693 | 8,369,825 |
| — deferred | (1,217,000) | 15,987,000 |
| | 523,739,191 | 466,303,360 |
| *Net Profit for the Year* (Per share: 1968 — $2.79, 1967 — $1.94) | 67,971,231 | 46,732,814 |
| *Retained Earnings* at beginning of year | 330,844,125 | 304,629,505 |
| | 398,815,356 | 351,362,319 |
| *Deduct* | | |
| Dividends declared (Per share: 1968 — $1.00, 1967 — $ .85) | 24,329,297 | 20,518,194 |
| *Retained Earnings* at end of year | $374,486,059 | $330,844,125 |

# Consolidated Statement of Financial Position

| | December 31 1968 | December 31 1967 |
|---|---|---|
| *Current Assets* | | |
| Cash | $ 3,813,482 | $ 2,775,251 |
| Short-term investments, at cost (approximates market value) | 57,533,812 | 3,927,361 |
| Accounts receivable | 85,040,160 | 83,194,774 |
| Special refundable tax | 2,393,639 | — |
| Inventories (Note 7) | 126,327,607 | 124,962,657 |
| Prepaid expenses | 961,314 | 1,080,280 |
| | 276,070,014 | 215,940,323 |
| Less | | |
| *Current Liabilities* | | |
| Bank loan | — | 13,500,000 |
| Accounts payable and accrued | 54,056,067 | 61,827,643 |
| Provision for income and other taxes | 38,904,364 | 10,717,330 |
| Dividend payable | 7,299,104 | 6,034,763 |
| | 100,259,535 | 92,079,736 |
| *Working Capital* | 175,810,479 | 123,860,587 |
| Special Refundable Tax | — | 4,079,460 |
| Investments in Associated Companies, at cost (Note 8) | 20,647,391 | 20,397,593 |
| Fixed Assets, less depreciation (Note 9) | 515,330,766 | 519,817,371 |
| *Total Investment* | 711,788,636 | 668,155,011 |
| Less | | |
| Long-term Debt (Note 10) | 57,476,000 | 59,476,000 |
| Provision for Deferred Income Taxes | 148,519,000 | 149,736,000 |
| *Shareholders' Equity* | $505,793,636 | $458,943,011 |
| Derived from: | | |
| Common Shares — no par value (Notes 11 and 12) | | |
| Authorized — 28,000,000 shares | | |
| Issued — 24,330,347 shares (1967 — 24,139,052 shares) | $131,307,577 | $128,098,886 |
| Retained Earnings in use in the business | 374,486,059 | 330,844,125 |
| *Total Shareholders' Equity* | $505,793,636 | $458,943,011 |

Signed on behalf of the Board: V. W. SCULLY, Director H. M. GRIFFITH, Director

# Notes to Consolidated Financial Statements, December 31, 1968

1. It is estimated that $32,000,000 will be required to complete approved capital programs.

2. The Company, as a shareholder of Erie Mining Company, is entitled to 10% of Erie's production of iron ore pellets, for which it is committed to pay 10% of Erie's costs, including a minimum annual charge of $2,000,000 for depreciation to cover the repayment of 10% of Erie's long-term debt.

3. Pension costs charged against income in the year include payments made to trust funds, under the Companies' pension plans, for current and past service requirements as determined by an independent actuary. Past service costs are being funded over periods not exceeding 25 years. The total unfunded past service liability at December 31, 1968, is estimated at approximately $69,000,000.

4. Accounts originating in foreign currencies have been converted generally at current rates of exchange except for plant and property values which have been converted at rates in effect at the date of acquisition.

5. Depreciation has been provided at rates averaging approximately 5% of the cost of depreciable assets.

6. Income from The Scully Mine is exempt from income tax for a period of thirty-six months commencing April 1, 1966. For the year 1968, the effect of this exemption was to reduce the provision for income taxes by approximately $14,000,000.

7. *Inventories*

| | 1968 | 1967 |
|---|---|---|
| Raw materials and supplies | $ 52,038,060 | $ 49,950,497 |
| Finished and semi-finished products | 74,289,547 | 75,012,160 |
| | $126,327,607 | $124,962,657 |

Inventories are valued at the lowest of cost, replacement cost and net realizable value. In determining cost, the Company follows the last-in, first-out method for the major portion of the inventories, the balance being determined at average cost.

8. The cost of investments in associated companies amounted to $20,647,391 at December 31, 1968, at which date the net equity value of the investments, as recorded in the accounts of the associated companies, was $24,478,488.

9. *Fixed Assets*

| | 1968 | 1967 |
|---|---|---|
| Raw material properties, at cost | $145,370,095 | $137,372,482 |
| Manufacturing plants and properties, at cost | 819,573,759 | 795,932,810 |
| | 964,943,854 | 933,305,292 |
| Less accumulated depreciation | 449,613,088 | 413,487,921 |
| | $515,330,766 | $519,817,371 |

10. *Long-term Debt*

| | 1968 | 1967 |
|---|---|---|
| The Steel Company of Canada, Limited | | |
| 5½% Sinking fund debentures due May 1, 1990 | $ 50,000,000 | $ 50,000,000 |
| (Annual sinking fund requirement $1,250,000 commencing May 1, 1970) | | |
| Page-Hersey Tubes, Limited | | |
| 4¼% Sinking fund debentures due April 1, 1971 | 1,879,000 | 2,324,000 |
| (Annual sinking fund requirement $400,000, fulfilled to April 1, 1969) | | |
| 5½% Sinking fund debentures due April 1, 1983 | 5,597,000 | 7,152,000 |
| (Annual sinking fund requirement $350,000 — 1969 through 1974; $400,000 — 1975 through 1982: fulfilled to April 1, 1972) | | |
| | $ 57,476,000 | $ 59,476,000 |

11. By Letters Patent effective January 1, 1969, the amalgamation of the Company and certain of its wholly-owned subsidiaries was confirmed and the authorized capital of the amalgamated company became 35,000,000 common shares without nominal or par value.

12. In accordance with a Stock Option Policy adopted in 1965, 278,500 common shares are reserved for stock options. At December 31, 1968, options were outstanding in respect of 189,400 shares at prices ranging from $18.75 to $25.50 per share, including 112,400 shares under option to officers, the options expiring on various dates between December 1975 and February 1978.

    During the year, 191,295 common shares were issued for cash as follows: 189,795 shares for $3,179,066 under an Employees' Stock Purchase Plan and 1,500 shares for $29,625 under the Stock Option Policy.

13. For the year ended December 31, 1968, the total remuneration received from the Company and its subsidiaries by directors and senior officers was $1,069,988, including $351,698 received by directors as directors or officers.

## Consolidated Statement of Changes in Working Capital

| | Year 1968 | Year 1967 |
|---|---|---|
| *Additions to Working Capital* | | |
| From operations: | | |
| Net profit for the year | $ 67,971,231 | $ 46,732,814 |
| Non-cash charges for | | |
| depreciation | 37,110,642 | 33,057,684 |
| deferred income tax | (1,217,000) | 15,987,000 |
| | 103,864,873 | 95,777,498 |
| Proceeds from issue of capital stock | 3,208,691 | — |
| Special refundable tax | 4,079,460 | — |
| Sundry items (net) | 624,489 | 254,504 |
| *Total Additions* | 111,777,513 | 96,032,002 |
| *Deductions from Working Capital* | | |
| Expenditures for fixed assets | 33,248,526 | 88,816,723 |
| Investments in associated companies (net) | 249,798 | 394,884 |
| Reduction of long-term debt | 2,000,000 | 250,000 |
| Dividends declared | 24,329,297 | 20,518,194 |
| Special refundable tax | — | 751,936 |
| *Total Deductions* | 59,827,621 | 110,731,737 |
| *Increase (Decrease) in Working Capital* | 51,949,892 | (14,699,735) |
| Working Capital at beginning of year | 123,860,587 | 138,560,322 |
| Working Capital at end of year | $175,810,479 | $123,860,587 |

## AUDITORS' REPORT

To The Shareholders
The Steel Company of Canada, Limited

We have examined the consolidated statement of financial position of The Steel Company of Canada, Limited and its subsidiary companies at December 31, 1968 and the consolidated statements of income and retained earnings and changes in working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies at December 31, 1968 and the results of their operations and the changes in their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 14, 1969

RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants

# STELCO TEN YEAR STATISTICAL SUMMARY

Dollars in thousands except as indicated *

| | *1968* | *1967* | *1966* |
|---|---|---|---|
| *OPERATIONS* (thousands of net tons) | | | |
| Raw steel produced | 4,485 | 3,966 | 3,794 |
| Steel processed [1] | 4,591 | 4,087 | 4,086 |
| *INCOME AND RELATED DATA* | | | |
| Sales | $589,613 | 512,386 | 504,763 |
| Depreciation | $ 37,111 | 33,058 | 29,500 |
| Income taxes | $ 37,455 | 24,357 | 33,051 |
| Net profit | $ 67,971 | 46,733 | 42,744 |
| Per share [2] * | $ 2.79 | 1.94 | 1.77 |
| Per cent of sales | 11.5% | 9.1 | 8.5 |
| Per cent of shareholders' equity | 14.1% | 10.5 | 10.1 |
| Dividends (including extra distributions) | $ 24,329 | 20,518 | 20,518 |
| Per share [2] * | $ 1.00 | .85 | .85 |
| *CAPITAL EXPENDITURES* | $ 33,498 | 89,212 | 99,542 |
| *FINANCIAL POSITION, YEAR END* | | | |
| Working capital | $175,810 | 123,861 | 138,560 |
| Fixed assets — net | $515,331 | 519,817 | 464,313 |
| Shareholders' equity | $505,794 | 458,943 | 432,728 |
| *EMPLOYMENT* | | | |
| Average number of employees | 21,584 | 20,556 | 20,360 |
| Total employment costs | $186,948 | 169,219 | 151,708 |
| Employees' average weekly earnings * | $ 146.52 | 138.65 | 130.98 |
| *NUMBER OF SHAREHOLDERS, YEAR END* | 52,520 | 53,340 | 53,017 |

[1] *Includes steel purchased and steel received from customers for conversion.*
[2] *Adjusted for subdivision of shares in 1962.*

| 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 |
|---|---|---|---|---|---|---|
| 3,846 | 3,479 | 3,110 | 2,779 | 2,445 | 2,152 | 2,438 |
| 4,137 | 3,884 | 3,122 | 2,768 | 2,428 | 2,336 | 2,687 |
| 516,406 | 477,823 | 370,989 | 332,205 | 288,356 | 281,967 | 321,544 |
| 27,594 | 26,003 | 24,081 | 22,631 | 18,922 | 17,433 | 18,804 |
| 38,808 | 33,791 | 31,680 | 26,350 | 22,287 | 17,278 | 28,824 |
| 43,454 | 43,630 | 37,095 | 30,299 | 27,378 | 21,356 | 32,878 |
| 1.80 | 1.91 | 1.82 | 1.50 | 1.43 | 1.23 | 1.89 |
| 8.4 | 9.1 | 10.0 | 9.1 | 9.5 | 7.6 | 10.2 |
| 10.9 | 12.0 | 11.8 | 10.2 | 10.3 | 9.1 | 15.2 |
| 20,518 | 19,752 | 15,723 | 12,653 | 11,712 | 10,412 | 9,103 |
| .85 | .85 | .77½ | .62½ | .60 | .60 | .52½ |
| 75,540 | 109,306 | 52,236 | 67,036 | 38,754 | 53,290 | 35,123 |
| 180,355 | 122,695 | 125,348 | 118,681 | 134,895 | 95,139 | 115,842 |
| 396,291 | 350,863 | 234,035 | 206,530 | 165,759 | 147,652 | 117,197 |
| 410,503 | 388,578 | 326,437 | 302,721 | 290,256 | 240,141 | 228,925 |
| 20,262 | 18,584 | 16,599 | 15,692 | 14,432 | 14,600 | 15,255 |
| 143,179 | 123,864 | 107,386 | 98,464 | 87,942 | 84,690 | 86,938 |
| 125.13 | 121.33 | 117.00 | 114.71 | 111.47 | 105.57 | 104.50 |
| 46,597 | 40,973 | 30,297 | 25,746 | 18,259 | 15,734 | 15,403 |

## PRINCIPAL PRODUCTS

*PLATE*
Up to 140″ in width.

*HOT ROLLED AND COLD ROLLED SHEET*
In sheets, coils and strip.

*GAVANIZED SHEET*
Standard or "Colourbond", in sheets, coils and strip.

*PREPAINTED SHEET*
"Stelcolour", prefinished in colours, patterns and simulated textures.

*TIN PLATE*
Electrolytic and black, in sheets and coils.

*HOT ROLLED AND COLD FINISHED BARS*
Alloy, carbon, leaded; in standard and special sections.

*CONSTRUCTION MATERIALS*
Reinforcing bars, welded wire fabric, prestressed concrete wire and strand.

*WIRE RODS*

*FASTENERS AND FORGINGS*
Bolt and screw products, standard and special, track fasteners and pole line hardware. Standard and custom forgings in light and medium weights.

*PIPE AND TUBING*
Stretch-reduced continuousweld steel pipe, electric-resistance welded steel pipe, submerged arc welded steel pipe, electricweld mechanical and pressure steel tubing, hot and cold formed hollow structural sections, oil country tubular products, piling pipe, waterworks pipe, hot finished or cold drawn seamless steel pipe and tubing, nipples and couplings.

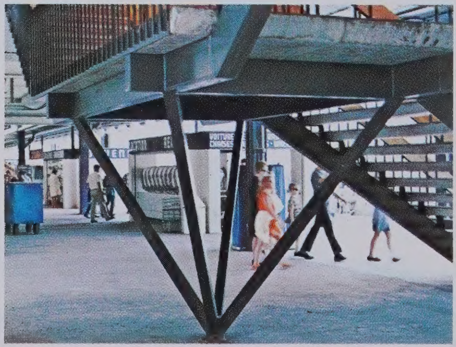
*MANUFACTURERS' WIRE*
Wire and strand, in a full range of sizes, grades, finishes, coil weights and cut lengths.

*MERCHANT WIRE PRODUCTS*
Nails, fencing and barbed wire.

*FENCE*
Industrial, institutional and residential.

*SPECIAL PRODUCTS*
Grinding balls, grinding rods, sucker rods and grader blades.

*CHEMICALS, ETC.*
Coal tar, ammonium sulphate, lime and limestone.



# OFFICES AND PLANTS

## HEAD OFFICE
Hamilton, Ontario, Canada

## GENERAL OFFICES
Hamilton, Ontario, Wilcox Street
Montreal, Quebec, 525 Dominion Street

## SALES OFFICES
Hamilton, Ontario
Montreal, Quebec
Calgary, Alberta
Edmonton, Alberta
Halifax, Nova Scotia
Quebec, Quebec
Regina, Saskatchewan
Saint John, New Brunswick
St. John's, Newfoundland
Toronto, Ontario
Vancouver, British Columbia
Windsor, Ontario
Winnipeg, Manitoba

## PLANTS

### ONTARIO
Hamilton — Hilton Works
— Ontario Works
— Canada Works
— Parkdale Works
— Frost Works
— The Canadian Drawn Steel Company, Limited

Brantford — Brantford Works
Toronto — Swansea Works
Gananoque — Gananoque Works
Welland — Page-Hersey Works
— Welland Tube Works

### QUEBEC
Montreal — Notre Dame Works
— St. Henry Works
Lachine — Dominion Works
Contrecoeur — McMaster Works

### SASKATCHEWAN
Regina — Saskatchewan Steel Fabricators Ltd.

### ALBERTA
Edmonton — Premier Works
Camrose — Camrose Works

# SUBSIDIARIES, RAW MATERIAL PROPERTIES AND ASSOCIATED COMPANIES

## SUBSIDIARY COMPANIES
*WHOLLY OWNED*
*(Consolidated in Financial Statements)*

Page-Hersey Tubes, Limited, Welland, Ont.
Welland Tubes Limited, Welland, Ont.
Camrose Tubes Limited, Camrose, Alta.
Premier Steel Mills Ltd., Edmonton, Alta.
Saskatchewan Steel Fabricators Ltd., Regina, Sask.
The Canadian Drawn Steel Company, Limited, Hamilton, Ont.
Frost Steel and Wire Company, Limited, Hamilton, Ont.
Frost Steel and Wire Company Quebec, Limited, Montreal, Que.
Chemical Lime Limited, Ingersoll, Ont.
Stelco Coal Company, Pittsburgh, Pa.
Pikeville Coal Co., Louisville, Ky.
Stelco Nederland N.V., Amsterdam, The Netherlands
Stelco S.A., Geneva, Switzerland
The Steel Company of Canada (U.K.), Limited, London, England

## RAW MATERIAL PROPERTIES
*(Ownership interest consolidated in Financial Statements)*

| | % Owned |
|---|---|
| The Hilton Mines, Que. (Iron ore) | 50.0 |
| Wabush Mines, Nfld. and Que. (Iron ore) | 25.6 |
| The Griffith Mine, Ont. (Iron ore) | 100.0 |
| Chisholm Mine, Ky. (Coal) | 100.0 |
| Chemical Lime Works, Ont. (Limestone) | 100.0 |

## ASSOCIATED COMPANIES
*(Included in Investments in Associated Companies in Financial Statements)*

| | % Owned |
|---|---|
| Baycoat Limited, Ont. | 50.0 |
| Arnaud Railway Company, Que. | 25.6 |
| Knoll Lake Minerals Limited, Nfld. | 14.8 |
| Wabush Lake Railway Company, Limited, Nfld. | 25.6 |
| Northern Airport Limited, Nfld. | 12.8 |
| Northern Land Company Limited, Nfld. | 12.8 |
| Twin Falls Power Corporation, Limited, Nfld. | 4.4 |
| The Balkan Mining Company, Minn. | 33.3 |
| Erie Mining Company, Minn. | 10.0 |
| Ontario Iron Company, Minn. | 10.0 |
| Mathies Coal Company, Pa. | 13.3 |
| Olga Coal Company, W. Va. | 10.0 |

STELCO THE STEEL COMPANY OF CANADA, LIMITED • HAMILTON, ONTARIO, CANADA